GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:186
ANSWERED ON:16.11.2007
LOSSES OF REGIONAL RURAL BANK
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Will the Minister of FINANCE be pleased to state:

(a) the losses suffered by Regional Rural Banks (RRBs), as on date;

(b) whether the Government proposes to formulate a scheme to reduce the losses of the Regional Rural Banks; and

(c) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a):- As per provisional figures furnished by National Bank for Agriculture and Rural Development(NABARD), out of 96 Regional Rural Banks(RRBs), 15 RRBs incurred losses of Rs.301.25 crore during 2006-07.

(b) & (c)> Government of India/Reserve Bank of India(RBI) and NABARD have taken a number of measures to improve the functioning of RRBs and to reduce their losses such as
1) Amalgamation of RRBs for business consolidation, expansion etc. The amalgamated RRBs will provide better customer service due to better infrastructure, computerization of branches, pooling of experienced work force, common publicity and marketing efforts etc. They will also reap benefits of a large area of operation, enhanced credit exposure limits and enable them to undertake diverse banking activities.
2) Government has announced in the budget proposals for 2007-08 that the RRBs having negative net worth will be recapitalized by the stakeholders as a measure to strengthen the RRBs, financially.
3) Enhancement of credit to Non-Priority Sector
4) Expansion of non-fund based business activities such as sale of insurance policies, disbursement of pension, salaries etc. and handling of government business to increase income generation.
5) Opening of `no-frill` accounts with low or minimum balance.
6) Extension of Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act (SARFAESI) to RRBs with a view to improve their recoveries.
7) Permitting RRBs to accept Foreign Currency Non-Residents (FCNR) Deposits.
8) Allowing consortium lending to RRBs.